



# BUDGET MESSAGE

## Bredesen's Fiscal 2003-04 Budget

*Governor Bredesen is recommending a common-sense budget for the State of Tennessee to cope with shortfalls and get through the wartime economy. His plan puts the brakes on runaway growth in government spending and requires the state to live within the realities of its revenues. His plan is responsible by reducing the size of government while still investing in key priorities such as public education and homeland security. It is a fair plan that does not require new taxes and does not require any group or entity to shoulder a disproportionate share of cuts. It is the right approach and it is consistent with the way families across Tennessee are balancing their own budgets during these tough times.*

**Common-Sense Approach.** Every day, working families across this state manage to keep household expenses in line with their household income. There's no reason the State of Tennessee can't do the same. In the past, part of state government's problem was that it simply didn't operate that way. Governor Bredesen's budget changes all of that. His premise is simple: Take a conservative look at how much tax revenue we expect to collect, and then plan to spend that much and no more. This is the first balanced budget submitted in four years that does not rely on new taxes. It also is only the third time in 30 years that state appropriations will decrease.

**Truth In Budgeting.** Governor Bredesen's proposal adopts a conservative style of budgeting. Changes include:

- Relying on revenue projections at the mid-range of economic-forecasting models rather than overly optimistic assumptions.
- Carefully accounting for key recurring expenses such as annual increases in the cost of providing health benefits to state employees.
- Eliminating the practice of permanently "overlapping" positions—accounting for multiple employees under a single position.

**Fair and Evenhanded.** Governor Bredesen's budget ensures that no single group or entity is asked to shoulder a disproportionate share of cuts. As part of that guiding principle, he is asking for 9% across-the-board reductions in a range of areas including state agencies and departments, the state highway fund and revenues the state shares with local governments.

Cutting shared revenues with local governments will result in a minimal impact on most cities and counties relative to their general fund budgets. Statewide, reductions in state-shared revenues total \$60.7 million spread out among hundreds of cities and counties. By comparison, reductions in state departments total more than \$207 million. The Governor is asking everyone to do their part in the wartime economy.

**Smart Reductions.** Governor Bredesen's budget focuses on making cuts in a responsible manner that will not undermine vital services, such as public education and homeland security, or result in shutdowns of government operations, such as state parks. In fact, it calls for a number of improvements including:

- Fully funding Tennessee's Basic Education Program.
- Improving salaries for more than 17,000 teachers in 75 school districts.
- Investing more than \$8 million in homeland security and safety.



# BUDGET COMPARISON

## Reducing the Taxpayers Budget

*Fiscal 02-03 Versus Fiscal 03-04*

The Governor is proposing a decrease in state appropriations. That has happened only twice before in the past 30 years. Below is a comparison between this year and next year's "Taxpayers Budget." This reflects actual spending of state tax dollars.

	Estimated FY 02-03	Recommended FY 03-04
Total State Budget Less federal revenues Less other revenues (depts., Tuition/student fees, bonds)	\$20.62 B (\$7.73 B) (\$3.32 B)	\$21.46 B (\$8.24 B) (\$3.43 B)
Subtotal State Appropriations Less appropriations from dedicated state sources	\$9.57 B (\$256 M)	\$9.79 B (\$245 M)
Taxpayers Budget Plus TennCare supplemental Appropriations	\$9.31 B \$370 M	\$9.55 B N/A
<b>TOTAL TAXPAYERS BUDGET</b>	<b>\$9.68 B</b>	<b>\$9.55 B</b> Decrease \$132 M



# BUDGET HIGHLIGHTS

<b>TOTAL BUDGET, FISCAL 2003-04</b>	<b>\$21.46 BILLION</b>
State Appropriations	\$9.79 billion
Federal Funds	\$8.24 billion
Other Revenue <sup>1</sup>	\$3.43 billion
 <b>ESSENTIAL IMPROVEMENTS</b>	 <b>\$628.8 MILLION</b>
TennCare	\$327.9 million
K-12 Education	\$111.2 million
Employee Pay and Benefits	\$93.4 million
Correction	\$21.9 million
Mental Retardation	\$17.0 million
Children's Services	\$10.5 million
Homeland Security	\$8.4 million
Safety	\$4.8 million
Other Programs	\$33.7 million
 <b>KEY REDUCTIONS<sup>2</sup></b>	 <b>\$355.1 MILLION</b>
Agencies and Departments	\$207.2 million
Highway Funds	\$65.8 million
Shared Taxes with Local Govs	\$60.7 million
Real Estate Transfer Tax	\$15.9 million
Miscellaneous Grants	\$3.4 million
General Assembly	\$2.1 million
 <b>PROGRAMS EXEMPTED INCLUDE</b>	
K-12 Basic Education Program	
Mental Retardation	
Homeland Security	
Programs Funded by	
Dedicated Taxes or Fees	
Judiciary <sup>3</sup>	
 <b>WORKFORCE ADJUSTMENTS</b>	
Abolish 845 positions	
Lay off 207 employees	

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<sup>1</sup> Includes special revenues, tuition and fees.

<sup>2</sup> Based on initial 2003-04 budget projections

<sup>3</sup> Judiciary taking 2.5% reduction. District Attorney and Public Defender offices taking at least a 2.5% cut.